
**Department of
Environmental Quality**

We performed a financial-compliance audit of the Department of Environmental Quality (department) for the two fiscal years ended June 30, 2006. This report contains two recommendations where the department could improve compliance with the federal regulations related to debarred and suspended parties and state law related to Internal Service Funds.

We issued an unqualified opinion on the financial schedules contained in this report. The reader may rely on the financial information presented in the financial schedules and the supporting data on the state's accounting system.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend:

- A. The department record the workers' compensation discounts in accordance with state accounting policy.
- B. The department move \$130,560 of workers' compensation discount in the Internal Service Fund to the General Fund, State and Federal Special Revenue Funds. 6

Department Response: Concur. See page B-4.

Recommendation #2

We recommend the department's State Revolving Fund Loan programs implement procedures to ensure it complies with federal requirements prohibiting contracting with suspended or debarred entities. 7

Department Response: Concur. See page B-4.